

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-01

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /082 R

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USDA/FAS-PMACKIE

COMMERCE - SCHLECTY (INFO)

USDA/FAS-JSTARKEY

EB/TA -O'HERRON

TREASURY -MCHAVES (INFO)

ARA/MEX - FALK

STR - HWILLIAMS

EB/GCP - GOLDMAN

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FM SECSTATE WASHDC

TO AMEMBASSY MEXICO

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E.O. 11652: N/A

TAGS: ETRD,EAGR

SUBJECT:MEXICAN IMPORT DUTIES AFFECTING LIVESTOCK

REF: (A) STATE 22368, (B) MEX 1174, (C) MEX 1271

1. USG APPRECIATES EMBASSY'S EFFORTS TO CONVEY TO GOM
US CONCERN OVER NEW DUTIES AND DUTY INCREASES IMPOSED BY
MEXICO ON US LIVESTOCK TRADE VALUED AT OVER DOLLARS 20
MILLION IN FY 74 (REF A). EMBASSY SHOULD CONTINUE THESE
EFFORTS.

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2. DECISION TO RESTORE DUTY FREE ENTRY FOR REGISTERED

DAIRY CATTLE (REF B, PARA 2) WOULD BE WELCOMED BY US. WE HOPE THAT THIS STEP WILL NOT BE DELAYED SO AS TO CAUSE SIGNIFICANT DAMAGE TO US TRADE. WE CONCERNED, HOWEVER, THAT BEEF BREEDING CATTLE MAY NOT BE ACCORDED SAME TREATMENT. WE ALSO CONCERNED THAT INCREASING MARKET OPPORTUNITIES FOR US SLAUGHTER CATTLE IN MEXICO NOT BE DENIED US PRODUCERS BY HIGHER DUTY. LARGE MEXICAN TRADE SURPLUS WITH US IN CATTLE AND BEEF (DOLLARS 71 MILLION SURPLUS IN CY 74) MAKES IT IN MEXICO'S SELF INTEREST THAT TWO-WAY TRADE BE CONTINUED WITHOUT DISRUPTION BY UNILATERAL IMPORT MEASURES TAKEN WITHOUT PRIOR CONSULTATION.

3. RE POSSIBLE CHANGE IN MEXICAN IMPORT REGULATIONS TO SET IMPORT PRICE BY BREED OF BEEF CATTLE, WE CONCUR IN

EMBASSY RESPONSE PARA 1 REF C. MOREOVER, WE DO NOT BELIEVE ANY MEANINGFUL BREED PRICE COULD BE ESTABLISHED SINCE QUALITY OF INDIVIDUAL ANIMAL WITHIN GIVEN BREED IS GENERALLY MORE IMPORTANT FACTOR IN PRICE THAN DIFFERENCES BETWEEN BREEDS. IN ANY CASE, EMBASSY SHOULD URGE GOM TO MAINTAIN DUTY FREE TREATMENT FOR BEEF BREEDING CATTLE IN VIEW OF US TRADE INTEREST AND BENEFITS TO MEXICAN CATTLE INDUSTRY FROM UPGRADING WITH HIGH QUALITY BREEDING CATTLE.

4. AS US HAS REPEATEDLY INDICATED TO GOM, WE BELIEVE THAT QUOTE OFFICIAL PRICE SYSTEM UNQUOTE FOR IMPORT DUTY VALUATION CONTAINS INHERENT CHARACTERISTICS THAT OFTEN DISADVANTAGE US TRADE. WITH RESPECT TO LIVESTOCK SPECIFICALLY, IT IS CLEAR THAT TWO MAJOR FACTORS CAN MAKE OFFICIAL PRICES UNREALISTIC: (1) VARIABILITY IN ANIMAL QUALITY CAUSES SIGNIFICANT DIFFERENCES IN MARKET VALUATION AND (2) MAJOR SHIFTS IN MARKET CONDITIONS AND PRICES ARE NOT REFLECTED IN FIXED, RIGID OFFICIAL PRICES. BECAUSE OF SYSTEM'S ESPECIALLY ADVERSE CHARACTERISTICS FOR NON-HOMOGENEOUS LIVESTOCK, EMBASSY SHOULD USE EVERY OPPORTUNITY TO URGE THAT MORE CONSTRUCTIVE BASIS BE ADOPTED BY GOM FOR CUSTOMS VALUATION. INGERSOLL

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